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Tulips: The Rise and Fall of the World's Most Useless Commodity

The tulip hails from the mountainous regions of Turkey, Persia, and Central Asia. The Turks began cultivating tulips by 1000 C.E, and they soon became intrinsic with Turkish art and culture.¹ By the mid 16th Century, the Ottomans introduced their tulips to Europe, where Europeans cherished the flowers' scarcity and beauty. The people of the United Provinces, however, took a peculiar fondness to tulips. Because of Dutch demand, prices of tulip bulbs rose to ridiculous levels. By 1634 a single *Semper Augustus* bulb cost 5,500 Dutch Guilders, a weight of gold worth \$50,000 today.² Before long, the Dutch began to grow their own tulips, and a stock market soon developed around the trade of future bulbs. This trade required lawyers and speculators to facilitate transactions. Many other people became artists and critics, painting, naming, and arguing about the most beautiful variety of tulip. During the early 1630s, the Netherlands possessed a bustling middle-class, and many people desired tulips as status symbols. Since tulips served as nothing more than art, once it fell, the tulip market left its investors with nothing. The luxurious and exotic appeal of tulips coupled with the rise of the middle-class in the Netherlands compelled the Dutch to pay exorbitant amounts of money for tulip bulbs.

The 17th Century European fascination with naturalism catalyzed the Dutch obsession with tulips. In the 1600s, Europeans began to observe the world around them. The natural world and the variety of species and subspecies of plants and animals intrigued the Europeans. Even artists

¹ Anne Goldgar, *Tulipmania: Money, Honor and Knowledge in the Dutch Golden Age* (Chicago: University of Chicago Press, 2007), 31

² Peter M. Garber, "Tulipmania," *The Journal of Political Economy*, Vol. 97, No. 3 (Jun. 1989): 537

Gheyn and Bosschaert, whose paintings would sell for 1,000 Guilders or \$10,000 in gold today, started painting flowers, insects, shells, and minerals to please their patrons. Europeans' attraction to nature stemmed from the naming of the new species that they found.³ When the Dutch began to grow their own tulips, they became determined to cross breed and discover new species in order to name the flowers whatever they pleased.⁴ This hobby became the profession of floristry, and it attracted many tulip enthusiasts. With more professions relying on tulips, the Dutch economy became more dependence on the tulip.

Throughout the early 1600s, the Dutch enjoyed a vibrant middle class. As trade with the Americas became more profitable, western ports such as Lisbon and Amsterdam became very wealthy.⁵ This also blessed the Netherlands with a strong merchant class, who facilitated the trade of luxury items such as tulips. During the 1620s, the Thirty Years War ravaged the Dutch countryside. The war brought plague and famines to the Netherlands, killing many Dutch and leaving the rest weary and disheartened. The resulting shortage of labor devastated the economy, and required more employment from the remaining working class. "For the first time in their lives, bricklayers, carpenters, woodcutters and plumbers had money to lose."⁶ The working class had effectively absorbed into the middle class, which would help to rebuild the economy. Knowing that they were the ones rebuilding the economy, the inspired middle-class spent its wealth on luxuries such as tulips to bring pride and happiness back to their country.

As the middle class spent more time indulging itself, owning tulips became a status symbol. Different florist bred different varieties of their perfect tulip. This led to debates between

³ Anna Pavord, The Tulip: The Story of a Flower That Has Made Men Mad (New York: Bloomsbury Publishing, 1999), 158

⁴ Mike Dash, Tulipomania: The Story of the World's Most Coveted Flower & the Extraordinary Passions It Aroused (New York: Three Rivers Press, 1999), 160

⁵ Pavord, The Tulip, 147

⁶ IBID

people, towns, and universities, over their take on the most beautiful tulip.⁷ Outside the debates, people spent their time admiring paintings of the perfect tulips they dreamed to own. Nonetheless, tulips soon surpassed paintings as the premier form of art. “People traded paintings for tulips, as if the tulips were perennial works of art themselves.”⁸ Regardless of the medium: flowers, bulbs, or paintings, tulips found their way into the conversation, decoration, and architecture of Dutch culture. Even after the market for the flowers crashed, Dutch artists continued to paint tulips.⁹ “Never have flowers figured more prominently in the lives of ordinary people than they did in Holland in the first decades of the seventeenth century.”¹⁰ A man’s affinity for Dutch culture amounted to the quantity and variety of his tulips. The Dutch poured their money into the tulip market hoping to procure a flower that would make a name for them in the increasingly tulip-minded Dutch society.

The implementation of a stock market and the abundance of loans facilitated the tulip trade. At the beginning of the tulip exchange, merchants employed rudimentary auctions to find the highest bidder.¹¹ As the popularity of tulips increased, more people engaged in the tulip trade. When the exchange of tulips became one of the Netherlands largest markets, merchants established a stock market to regulate and record prices.¹² Although this system complicated the trade, the arbitrators at the market ensured that people completed transactions efficiently and fairly. Many investors started trading because of the excitement of the auction itself. Even those who could not afford to trade in tulips took out loans to do so. Banks and lenders scrambled to loan money to these investors, because the banks knew the volatility of the tulip market could return them large

⁷ Dash, Tulipomania, 15

⁸ Goldgar, Tulipmania, 128

⁹ IBID

¹⁰ Pavord, The Tulip, 136

¹¹ IBID, 150

¹² Goldgar, Tulipmania, 314

profits.¹³ The constant redistribution of wealth from the loans resulted in more investors, who helped maintained the tulips value.

When someone bought a tulip on the stock market, they bought a bulb that produced the type of flower they wanted. The designs on certain rare varieties of the tulip, such as the famed *Semper Augustus*, resulted from bacterial diseases that left the plant oddly colored. Although the Dutch preferred these new colors and designs, the diseases often predisposed the flowers to weakness and infertility. When a sickly tulip successfully reproduced, the offspring tended to emerge normal and without the fanciful designs of their ancestor.¹⁴ When people bought these rarer flowers, their investment did not usually yield the desired result. When the booming Dutch economy started to level off, traders began to sell short and disrupt the market. Increasing unrest over deals gone awry and complications with the diseased tulips further slowed the tulip trade. Soon the number of sellers outnumbered the number of buyers, officially ending the boom.¹⁵ The government, who previously backed approved trades by law, refused to recognize the transactions. Without government support, anxious merchants could not sell to the disgruntled consumers. Without demand, the tulip had no value. The investors who put their life savings in tulips went bankrupt.

After the tulip bubble burst, the Dutch economy dipped. Numerous professions: traders, florists, surveyors, transporters, and lawyers; which specialized in tulips no longer had work. The unemployment marred the middle-class, which had emerged along with the tulip bubble in the first place. Although the economy rebounded, the crash of the tulip stock market resonated in the fabric of the Dutch mindset. “The idea that the prices of flowers that grow only in the summer could

¹³ Godlgar, *Tulipmania*, 133

¹⁴ Pavord, *The Tulip*, 167

¹⁵ IBID, 154

fluctuate so wildly in the winter, threw into chaos the very understanding of ‘value’.”¹⁶ Today, many economists cite this “tulip bubble, tulip crash” when referring to a situation regarding subjectivity of value, in an effort to prevent the same mistake from happening again. The Dutch themselves experienced a similar repeat event with the “hyacinth craze” at the beginning of the 19th Century.¹⁷ The question remains, why did the Dutch pay more than their yearly salaries for a worthless commodity? Tulips did not contribute to the diet, health, or well-being of the people. The answer lies much deeper than pragmatism and efficiency. The Dutch bought tulips, because they could. The 1600s marked the dawn of consumerism in Europe. Merchants traded for goods from around the world, bringing a multitude of necessities and luxuries to the new storefronts of Europe. The nascent middle-classes had the financial ability to buy things they needed, and to also buy things they did not need. The Dutch middle-class happened to become attracted to the exotic tulip of Central Asia. Many see “tulip mania” as a mistake that exhibited the foolishness of the Dutch. One could see “Tulip mania” as a mistake, but the mistake marked the beginning of the long road to capitalism and the free market that we know today.

¹⁶ Goldgar, Tulipmania, 276-277

¹⁷ Garber, “Tulipmania,” 553-554

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